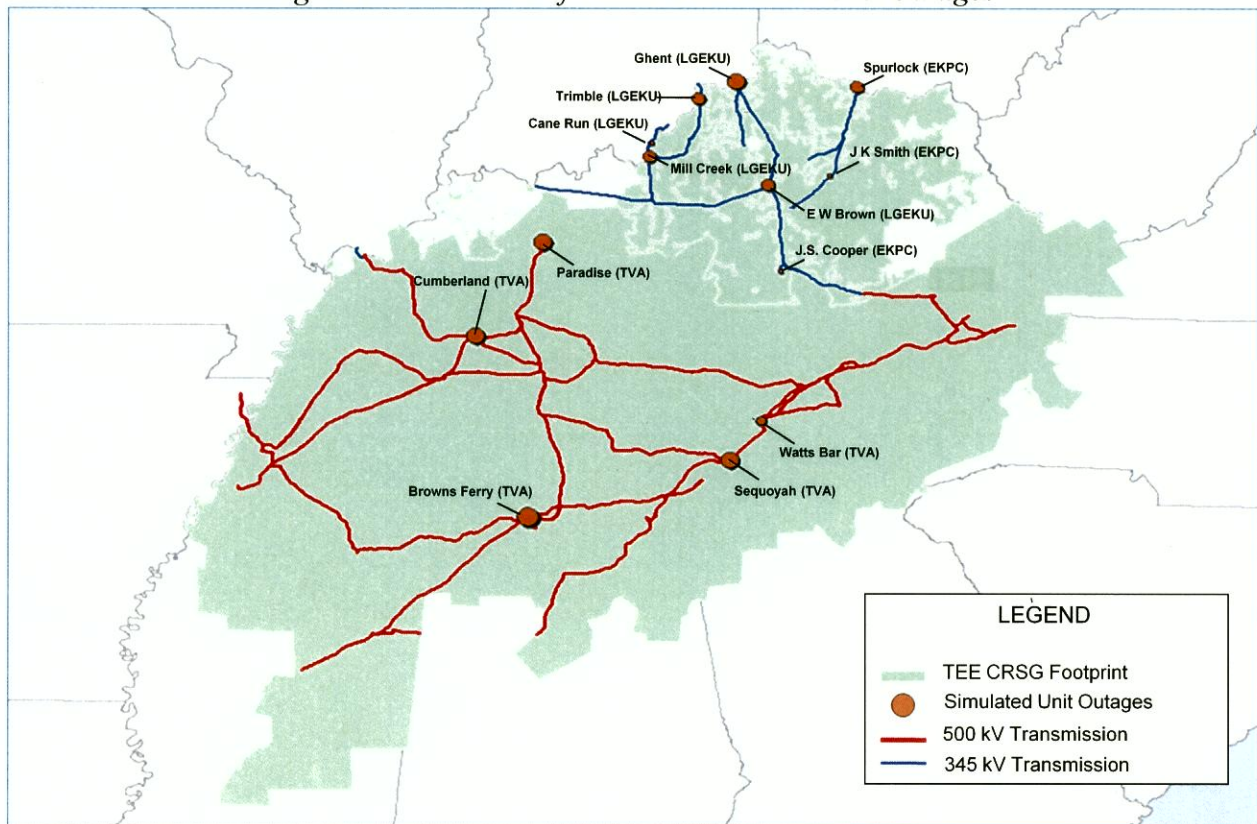


Contingency Reserve Sharing Group Certification of Deliverability

East Kentucky Power Cooperative (EKPC), LG&E and KU Services Company (LGE/KU) and Tennessee Valley Authority (TVA) executed a contingency reserve sharing group agreement (TEE CRSG) that became effective on January 1, 2010. This agreement requires that a deliverability study be conducted annually to evaluate the capability of the interconnected transmission systems of the three parties and the first-tier interconnected transmission systems. The findings of the deliverability study conducted in January 2012 are that the contingency reserve sharing agreement between EKPC, LGE/KU, and TVA continues to be deliverable over the interconnected transmission systems of the participating parties and the first-tier interconnected transmission systems, except for the EKPC J.S. Cooper plant. Delivery of reserves for the loss of the J.S. Cooper plant is conditional.

Figure 1 – Locations of Plants with Tested Unit Outages



The contingency reserve sharing agreement specified utilization of gross MW capability of generating units as the basis for determining each company's reserve obligation. The deliverability study therefore used this as the basis for the analyses performed. The study was conducted to verify deliverability and to determine the Transmission Reliability Margin (TRM) values to be allocated to the interfaces of the transmission systems of the three parties.

The joint study team has determined through the findings of this study that the contingency reserve sharing arrangement between EKPC, LGE/KU, and TVA remains deliverable over the

interconnected transmission systems of the participating parties and the first-tier interconnected transmission systems, except for the J.S. Cooper plant. Delivery of reserves for the loss of the J.S. Cooper plant remains conditional. The study identified that the loss of generation at the J.S. Cooper plant (EKPC) combined with transmission contingencies, under the assumed modeled conditions, can lead to or exacerbate thermal overloads on the Alcalde-Elihu 161 kV line (LGE/KU) and the Elza-Windrock 161 kV line (TVA). TVA has identified the need to upgrade the Elza-Windrock 161 kV line and the in-service date for the project is June 1, 2012. Therefore, the Elza-Windrock 161 kV limit will be eliminated once the upgrade is in-service. Operating guides remain necessary to address these scenarios should they materialize in real time operations.

To accommodate the CRSG agreement, sufficient capacity will be reserved on the interfaces and/or Flowgates in the form of TRM. All three parties use the Flowgate Methodology for calculating Available Flowgate Capability for each ATC Path. Each party will need to revise the calculation of the Short-term System Operator response (Operating Reserve actions) component of its TRM reservation on each Flowgate to reflect the obligations of the TEE CRSG. The transmission contract path ratings between the TEE CRSG participants are shown in Figure 2. The TRM to be reserved on each interface is determined by the maximum reserve obligations that are identified in Table 1 below. The TRM values, which are determined by the maximum reserve obligations, are reserved for five years until January 1, 2017.

Figure 2 - Contract Path Ratings (MVA)

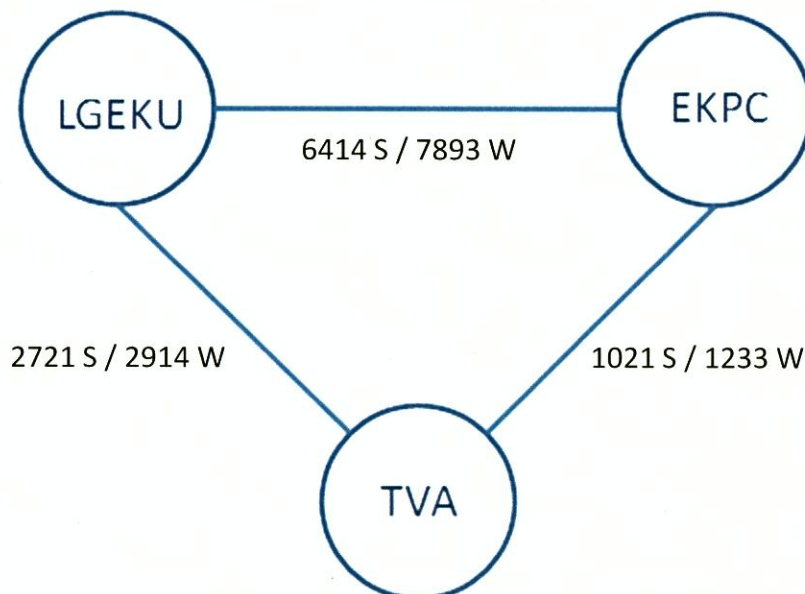


Table 1 – Interface TRM for Reserve Sharing (February 1, 2012 to January 1, 2017)

Transfer Path	TRM (MW)
EKPC to LGE/KU	51
EKPC to TVA	94
LGE/KU to EKPC*	85
LGE/KU to TVA	230
TVA to EKPC*	376
TVA to LGE/KU	552

* Delivery of reserves for the loss of the EKPC J.S. Cooper plant is conditional.

EKPC, LGEKU, and TVA hereby certify deliverability as described above for the calendar year 2012.



1/27/2012

Date

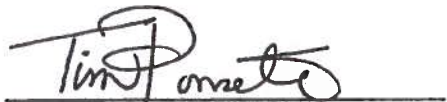
Darrin Adams
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